Kingdom of Belgium | Belgian Debt Agency
EUR 4bn 1.9% new 23-year OLO76 due 22 June 2038

POST MORTEM – 9th SEPTEMBER 2015

The Kingdom of Belgium, rated Aa3/AA/AA by Moody's, S&P and Fitch, launched today, via the Belgian Debt Agency, the third OLO syndicated benchmark transaction in 2015. The new EUR 4 billion OLO76 due 22 June 2038 pays an annual coupon of 1.9% and was priced at a spread of +34bps over the interpolated mid-swap reference rate implying a reoffer yield of 1.934%. Joint bookrunners were HSBC, Morgan Stanley, RBS and SG CIB. All remaining primary dealers in the Belgian government securities were invited into the syndicate as co-leads.

Background

- The Treasury expects its 2015 gross borrowing requirements to amount to EUR 39.40 billion to cover redemptions and the expected deficit which will be financed by issuing OLOs and bonds under its EMTN program for EUR 32.5bn and EUR 5bn respectively.
- The transaction priced today is the third syndicated OLO benchmark for 2015 and follows the OLO74 (10y, EUR 5bn) and OLO75 (15y, EUR 4bn) benchmarks issued in January and February respectively.
- After a period of strong volatility over the summer (Greek negotiations in July and concerns regarding the Chinese economy in August) the market started to stabilize early this week. In this context, the Belgian Debt Agency decided to take advantage of the better market conditions to launch its third syndicated benchmark.
- The choice of the maturity (22 June 2038) was driven by investors' interest to increase duration of their assets in a low rates environment to benefit from the slope of the curve and also by the Belgian Debt Agency in order to fix a lower funding cost for a longer maturity.

Execution highlights

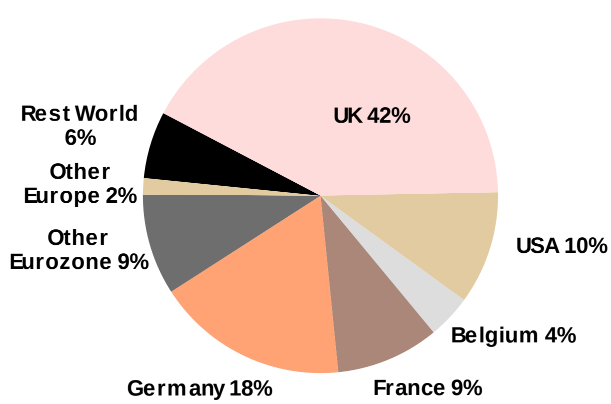
- The mandate for this new 23-year benchmark was announced at 2:55pm CET on Tuesday 8th September. Although no Initial Pricing Thoughts had been communicated to the market following the announcement, the response from investors was positive with indication of interest shown before close of business.
- IPTs was released on Wednesday at 9:00am CET at MS+ mid/high 30s and, in an hour the IOIs reached EUR 4 billion, which allowed the guidance to be fixed at MS+ 36bp area.
- The market performance during the constitution of the bookbuilding contributed to the reduction of the guidance at MS+ 34/35bp, enabling investors to capture part of the market improvement as well.
- The orderbook closed at 12:45pm CET and the spread was set at MS+34bps, the tight end of the guidance, at 13:45 CET, with orders standing at EUR 7.5 billion (including EUR 1.8 billion of Joint Lead Managers trading orders). The quality of the orderbook enabled the Belgian Debt Agency to set the new issue size at EUR 4 billion, with more than 100 investors acting in the transaction.

- The new June 2038 OLO priced at 15:45pm CET at MS +34bps implying a reoffer yield for investors of 1.934% and a coupon rate of 1.9%.
- The pricing of the transaction at MS+34bps represents a new issue concession of 9bps over the interpolated OLO curve, which is a great achievement for a 23-year EUR 4 billion transaction in this particular historical low rates environment.
- With this new transaction Belgium is bringing a new liquid reference in benchmark maturity that will be available for taps via auction throughout in the future.

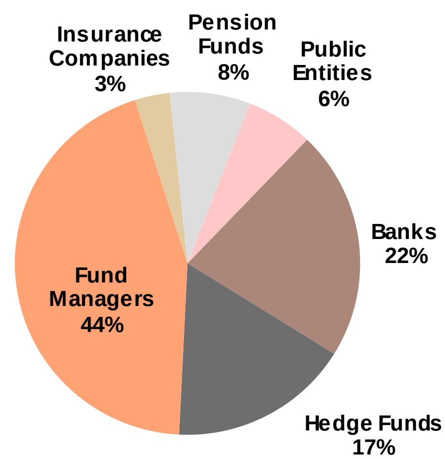
Summary of distribution

- The geographical distribution shows a good balance between the largest European jurisdictions (UK 42.0%, Germany 17.5% and France 9.4%), and the USA (10.3%).
- By investor type, the issue attracted substantial participation mainly from Fund Managers (44.3%), Banks, including Bank Treasuries (21.6%), and Hedge Funds which represented 17.0% of the allocation, while Insurance Companies, Pension Funds and Public Entities took 17.2%.

Distribution by region



Distribution by type



Summary of terms and conditions

Issuer:	The Kingdom of Belgium
Issuer Ratings:	Aa3 (Moody's) stable/ AA (S&P) stable/ AA (Fitch) neg
Joint Bookrunners:	HSBC, Morgan Stanley, RBS and SG CIB
Amount:	Euro 4 billion
Pricing Date:	9 September 2015
Settlement Date:	16 September 2015
Maturity Date:	22 June 2038
Coupon:	1.90% (Annual; payable each 22 June – first coupon short)
Day Count Fraction:	Actual/Actual (ICMA)
Benchmark:	Mid Swap
Reoffer Spread vs. Benchmark:	34 bps
Reoffer Spread to DBR 4% 2037	60.3 bps
Reoffer Yield:	1.934 %
Reoffer Price:	99.382 %
ISIN Number:	BE0000336454